

Army Acquisition Reform Newsletter



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Special Incentives for Successful Flight Tests in THAAD Award Fee Contract

The Theater High Altitude Area Defense (THAAD) Engineering and Manufacturing Development (EMD) contract for \$3.8 billion was awarded to Lockheed Martin Space Systems Company, Missile and Space Operations (LMSSC/M&SO), Sunnyvale, CA, on June 28, 2000. The THAAD EMD contract is an award fee type contract. The functional performance areas are technical, management, schedule and cost.

Emphasis was placed on the importance of successful flight tests occurring on schedule and within cost by including in the contract an award fee pool with special incentives for successful flight test intercepts for the first two flight attempts at White Sands Missile Range (WSMR) and Kwajalein Missile Range (KMR). If Lockheed Martin achieves a successful intercept within the first two attempts at WSMR, they will receive \$25M in award fee. However, if they are unsuccessful after the first attempt, LM will share \$15M of the contract cost. If Lockheed Martin achieves a successful intercept within the first two attempts at KMR, they will receive \$25M in award fee. However, if they are unsuccessful after the first attempt, LM will share \$20M of the contract cost. The clause identifies technical parameters that must be met during each of the first two flight tests at both ranges.

The use of the alpha contracting process for development of the scope of work (SOW) and the Integrated Master Plan and Master Schedule, as well as proposal preparation/evaluation, provided the government with a best value contract. The Integrated Master Plan (IMP) provides the process narratives, events and criteria for the EMD program. The Integrated Master Schedule (IMS) provides the detail tasks and schedule for the implementing the IMP. Both of these documents were developed during the alpha contracting process, substantially reducing the normal negotiation time and promoting a better understanding of the EMD requirements and the contractor-proposed approach to meeting these requirements.

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